

§ 1980.874

Law 103-354 has liquidation responsibility and Form FmHA or its successor agency under Public Law 103-354 1980-46, "Report of Liquidation Expense," to request payment of liquidation costs.

(d) State Directors are responsible for review and acceptance of accounting reports as submitted by lenders and for submission of such reports to lenders when FmHA or its successor agency under Public Law 103-354 is conducting liquidation.

(e) State Directors are authorized to approve final reports of loss from the lender in separate written approval authorities issued in accordance with subpart A of part 1901 of this chapter. The State Director will submit to the Finance Office for payment any loss claims of the lender on Form FmHA or its successor agency under Public Law 103-354 449-30, "Loan Note Guarantee Report of Loss." The Finance Office forwards loss payment checks to the State Director for delivery to the lender. When a loss claim is involved on a particular loan guarantee, ordinarily one estimated "Report of Loss" will be authorized. In the case of bankruptcy, more than one estimated "Report of Loss" may be authorized. Only one final filed with the Finance Office at the completion of all liquidations. The Finance Office will use this form to close out the account.

(f) Final loss payments will be made within the 60 days required, but only after a review by FmHA or its successor agency under Public Law 103-354 to assure that all collateral for the loan has been properly accounted for and liquidation expenses are reasonable and within approved limits. State Directors are responsible to see that such reviews are accomplished by the State within 30 days, and final loss claims in excess of the State Director's approval authority are forwarded to be accepted or otherwise resolved by the appropriate National Office program division within the 60-day period. Any estimated loss payments made to the lender must be taken into consideration when paying a final loss on the FmHA or its successor agency under Public Law 103-354 guaranteed loan. The estimated loss payment must be treated as a deduction from the principal amount of the loan that is equal

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to the estimated loss payment. The State Director may request National Office assistance in the conduct of any review. All reviews for final loss claim in excess of the State Director's approval authority (See subpart A of part 1901 of this chapter) will be submitted to the appropriate National Office program division for concurrence prior to the State Director's approval of the claim. Close scrutiny of liquidation proceeds and their application in accordance with lien priorities is required. Before final loss payments are approved and to assist in the required review, the State Director will prepare a narrative history of the guarantee transaction which will serve as the summary of occurrences which led to failure of the borrower and actions taken to maximize loan recovery. The original of this report will be filed in the loan case file.

[55 FR 11139, Mar. 27, 1990. Redesignated at 56 FR 29173, June 26, 1991]

§ 1980.874 Protective advances.

Protective advances may be made in accordance with the lender's loan agreement and §1980.65 of subpart A of this part.

(a) The State Director must approve in writing, all protective advances on loans within his/her loan approval authority which exceed a total cumulative advance of \$500 to the same borrower. Protective advances must be reasonable when associated with the value of collateral being preserved.

(b) When considering protective advances, sound judgement must be exercised in determining that the additional funds advanced will actually preserve collateral interests and recovery is actually enhanced by making the advance.

[55 FR 11139, Mar. 27, 1990. Redesignated at 56 FR 29173, June 26, 1991]

§ 1980.875 Additional loans or advances.

The State Director may approve within his/her loan approval authority additional nonguaranteed loans or advances prior to or subsequent to the issuance of the Loan Note Guarantee (Form FmHA or its successor agency under Public Law 103-354 449-34). The